

SCENARIO 10

Re-regulation of Electricity Production

PROS

1. Can yield stable rates.
2. Is compatible with various rate designs.
3. Provides for stakeholder review and input through rate filings and associated proceedings.
4. Utilizes utilities' legacy supply procurement expertise.
5. Provides for single point accountability.
6. Accommodates long-term bilateral contracts with independent suppliers.
7. Protects bundled customers in the event that there is inadequate competition in the wholesale market.
8. Transparency of information regarding new builds.
9. Allows for DSM programs and renewable portfolio standards

CONS

1. New legislation required to re-regulate utilities.
2. Not a competitive procurement approach.
3. Utilities would have to re-acquire generation that has been sold off.
4. Regulated return on re-acquired utility assets may not result in competitive market price for electricity.
5. No opportunity for customers to choose an alternate supplier.
6. Provides utilities limited incentive to procure power efficiently.
7. Does not foster development of competitive wholesale markets.
8. Does not provide market-based price signals to consumers.

9. Involves potentially lengthy and costly review of rate filings.
10. Poses significant regulatory risk related to after-the-fact prudence reviews.
11. Is subject to affiliate abuse that may be difficult for regulators to detect.
12. Does not take advantage of competitive efficiencies.
13. Shifts all cost risks for new builds to customers
14. Forgoes the cost benefits and efficiencies that are provided by a competitive market.
15. Significant costs and resources must be dedicated to regulatory proceedings.
16. Decisions made through regulatory process may not include all information that would be provided by markets (expected costs, risk exposures and management opportunities, resource flexibility value, discount rate assumptions)
17. Possible lengthy regulatory proceedings required to approve changes in the supply plan.
18. Involves greater chance (than some other scenarios) that utilities will be unable to recover their costs.
19. Fuel price risks passed through to customers through FAC.